

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:433

ANSWERED ON:25.08.2006

IMPORT DUTY ON SHIP BREAKING INDUSTRY .

Mistry Shri Madhusudan Devram;Thakkar Smt. Jayaben B.

Will the Minister of FINANCE be pleased to state:

- (a) Whether ship breaking industry is providing employment to a large number of manual workers of Northern States;
- (b) Whether the present rate of duty levied on ship breaking for the scrap metal is higher than the duty levied on the metal scrap in neighbouring countries particularly Bangladesh and China;
- (c) If so, the comparative figures of duty levied in India vis-à-vis neighbouring countries;
- (d) Whether the Government is aware that due to this higher duty, employment is coming down in the industry; and
- (e) If so, the remedial measures taken/proposed to be taken in this regard?

Answer

FINANCE MINISTER (SHRI P.CHIDAMBARAM)

(a), (b), (c), (d) and (e): A statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 433 RAISED BY SHRI MADHUSUDAN MISTRY AND SHRIMATI JAYABEN B.THAKKAR FOR 25TH AUGUST,2006 REGARDING IMPORT DUTY ON SHIP BREAKING INDUSTRY

[POSITION NO.8]

Part (a): The ship breaking industry provides employment to manual workers mainly in the state of Gujarat.

Part (b) & (c): Basic customs duty on ships for breaking-up in India is 5%. As per Integrated Database of World Trade Organization (WTO), rate of customs duty on ships for breaking-up in Bangladesh is 1000 Bangladesh Taka per light displacement tonnage or LDT (about 3.7% on ad valorem terms based on current prices). In Pakistan, the customs duty rate is 5%, while for China, the rate is 3%.

Part (d): Due to gradual decline in ship breaking activity, the number of workers engaged in this industry has come down in recent years. This, however, cannot be attributed to the duty structure as the customs duty rates on ships for breaking-up in India and the neighbouring countries like Bangladesh and Pakistan are not significantly different. Employment in ship breaking industry is coming down on account of a number of factors, some of which are listed below:

i) Prices of old ships for demolition in the world market have gone up substantially during the last five years.

ii) There is shortage of ships for breaking.

iii) Less stringent implementation of international environmental and labour safety regulations relating to ship recycling in Bangladesh has resulted in shifting of tanker breakage business to Bangladesh.

Part (e): Following remedial measures have been taken/proposed to be taken for revival of ship breaking industry:

i) ships imported for breaking have been exempted from additional duty of customs of 4%, which is applicable to almost all items of imports.

ii) 5% customs duty (earlier it was 0%) has been imposed on melting scrap bringing it at par with the duty on import of ships for breaking-up.

In addition to the above, following steps are being taken by the Government of Gujarat:

i) in Alang / Sosiya ship recycling yards, the Gujarat Maritime Board

(GMB) has developed adequate physical, social, health and environmental infrastructure and it has plans to develop more facilities

like reception jetty and general berth which will help in safer and quick cutting of ships.

ii) GMB has also framed a new comprehensive policy giving certain concessions to ship breaking industry, which is under consideration of Government of Gujarat.